

**MACARTHUR
COOK**

Macarthurcook – International Real Estate Fund Manager

CORPORATE GOVERNANCE POLICY

June 2009

VERSION HISTORY – RECORD OF CHANGES

15/05/02	Document Created
18/07/03	Updated on establishment of business
29/09/03	Preparing website and AR content and after Board approval of changes
13/01/04	Following acquisition of MCKFM
01/06/04	Change in Directors/Business Plan Overview
20/10/08	Change to Corporate Governance Principles and Recommendations
01/05/09	Updated to reflect ASX Corporate Governance Principles – 2 nd edition

MacarthurCook Corporate Governance Policy

MacarthurCook aspires to be a leader in its field and, as part of this, believes that sound principles of corporate governance are essential for the conduct of its business.

What is Corporate Governance?

Corporate governance is fundamentally concerned with:

- creating sustainable shareholder value while focusing upon the interests of other stakeholders in the Company, such as employees, clients and suppliers, and the community at large; and
- providing accountability and control systems for the Company's activities and for individuals which are commensurate with the risks involved.

Essentially, corporate governance provides the structure through which the Company's objectives are set, and the means of achieving these objectives and monitoring performance.

Principles of Corporate Governance

The ASX Corporate Governance Council has published Corporate Governance Principles and Recommendations (2nd edition) ("**Governance Recommendations**"), as suggestions to practices designed to optimise corporate performance and accountability. A summary of the Governance Recommendations is set out below.

If a company considers that a Governance Recommendation is inappropriate to its particular circumstances, it has the flexibility not to adopt it and explain why it is inappropriate.

ASX CORPORATE GOVERNANCE PRINCIPLES	
1. Lay solid foundations for management and oversight	5. Make timely and balanced disclosure
2. Structure the Board to add value	6. Respect the rights of shareholders
3. Promote ethical and responsible decision making	7. Recognise and manage risk
4. Safeguard integrity in financial reporting	8. Remunerate fairly and responsibly

Application of policy

This Corporate Governance Policy ("**Policy**") provides an outline of the way in which the Governance Recommendations are applied by the Australian listed entities in the MacarthurCook Limited Group ("**MCK Group**"). These entities are:

- MacarthurCook Limited ("**MCK**");
- MacarthurCook Industrial Property Fund ("**MIF**"); and
- MacarthurCook Property Securities Fund ("**MPS**"),

(each an "**MCK Entity**"). The Responsible Entity for MIF and MPS is MacarthurCook Fund Management Limited ("**MCKFM**") and references in the Policy to "Board" or "Directors" mean the Board of Directors of MCK and/or MCKFM, as the case may be.

Application of Governance Recommendations to MCK Entities

Recommendation 1. Lay solid foundations for management and oversight

1.1 Functions of Board and senior executives

Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The structure, roles and functions of the Board are set out in the Board Charter. The key principles underpinning the Board Charter are:

- The role of the Board is to provide strategic guidance for the relevant MCK Entity and effective oversight of management.
- The roles and responsibilities of the Board and executive management are clearly defined and structured so as to facilitate accountability.

Directors are advised of these functions and their duties and responsibilities in their letters of appointment and induction material.

The responsibilities and accountabilities of senior executives are defined in position descriptions signed by the senior executive on or about commencement of employment.

1.2 Evaluating performance of senior executives

Companies should disclose the process for evaluating the performance of senior executives.

Senior executive accountabilities and performance are reviewed at least annually by the Chief Executive Officer or Managing Director against appropriate measures.

Upon commencement of employment, each employee, including senior executives, must undertake an induction programme to gain an understanding of the MCK Group and their responsibilities and accountabilities in relation to those entities.

The Head of Human Resources is responsible for ensuring that induction programmes are completed and for retaining evidence of this having occurred.

1.3 Reporting on Recommendation 1

Companies should report on compliance with Recommendation 1

The Corporate Governance Statement in the Annual Report of each MCK Entity contains the following material:

- an explanation of any departure from Recommendations 1.1, 1.2 or 1.3; and
- whether a performance evaluation for senior executives has taken place and whether it was in accordance with the process disclosed in this Corporate Governance Policy.

A copy of the Board Charter is available on the MacarthurCook website: www.macarthurcook.com.au.

Recommendation 2. Structure the Board to add value

2.1 Independent directors

A majority of the board should be independent directors.

An independent director is a director that:

- is not a substantial shareholder of an MCK Entity;
- is not employed or has not been previously employed as an executive by any MCK Entity for at least 3 years;
- has not, within the previous 3 years, been a principal of a material professional adviser or consultant to an MCK Entity;
- is not a material supplier or customer of an MCK Entity; or
- does not have a material contractual relationship with an MCK Entity.

Based on the above criteria, each of the MCK Entities has, and must retain, a majority of independent directors.

The Board monitors the independence of each Director by requiring all Directors to confirm at the commencement of each Board meeting that they do not have any interests not previously disclosed. Minutes are kept of such confirmations and, where relevant, disclosures.

2.2 Independent chair

The chair should be an independent director.

Based on the independence criteria in section 2.1 above, the chair of each MCK Entity is an independent director. The confirmation of any interests not previously disclosed referred to in section 2.1 applies equally to the Chair.

2.3 Roles of chair and chief executive

The roles of chair and chief executive officer should not be exercised by the same individual.

The roles of Chair and Chief Executive Officer for each MCK Entity are not, and are not to be, held by the same individual.

2.4 Nomination Committee

The board should establish a nomination committee.

The Board has a Nomination Committee. The role and responsibilities, composition, structure, membership requirements and procedures for the Nomination Committee are set out in the Nomination Committee Charter. The key responsibilities of the Nomination Committee are to:

- identify, select and recommend Director nominees based on relevant experience, competencies and skills;
- review board succession plans;
- develop a process for evaluation of the performance of the Board; and
- ensure appropriate induction of new Directors and awareness of their role and responsibilities.

The Nominations Committee comprises three independent directors.

2.5 Performance evaluation processes

Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

New Directors are provided with induction material and an induction programme to enable them to gain an understanding of the MCK Group and their roles and responsibilities.

Directors are provided with access to continuing education updates by the auditors, accountants and lawyers to the MCK Group.

The Company Secretary is accountable to the Board on governance matters including Board policy and procedures.

Each year the Board evaluates the performance of the Board, its Committees and individual Directors. The evaluation is conducted by the Remuneration Committee through the use of assessment tools and processes implemented by the Company Secretary.

2.6 Reporting on Recommendation 2

Companies should report on compliance with Recommendation 2

The Corporate Governance Statement in the Annual Report of each MCK Entity contains the following material:

- the relevant skills, experience and expertise held by each Director;
- the names of the independent Directors and the materiality thresholds for independence;
- the existence of any relationships affecting independent status and why the Board considers a Director to be independent;
- a statement as to whether there is a procedure by which Directors can take independent professional advice at the expense of the relevant MCK Entity;
- period office held by each Director
- the names of members of the Nomination Committee;
- whether a performance evaluation for the Board, its Committees and Directors had taken place and whether it was in accordance with the process disclosed in this Corporate Governance Policy; and
- an explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6.

A copy of the Nomination Committee Charter is disclosed on the MacarthurCook website: www.macarthurcook.com.au.

A description of the procedure for the selection and appointment of new directors and re-election of incumbent directors and the Board's policy for the nomination and appointment of directors is disclosed on the MacarthurCook website: www.macarthurcook.com.au.

Recommendation 3. Promote Ethical and responsible decision making

3.1 Code of conduct

Companies should establish a code of conduct and disclose the code or a summary of the code.

The MCK Group has a Code of Conduct. All Directors and staff must adhere to that Code of Conduct.

3.2 Share trading policy

Companies should establish a policy concerning trading in company securities by directors, executives and employees and disclose the policy or a summary of the policy.

The MCK Group has a Share Trading Policy which applies to trading in the securities of an MCK Entity. All Directors and staff must adhere to that Share Trading Policy.

3.3 Reporting on Recommendation 3

Companies should report on compliance with Recommendation 3

The Corporate Governance Statement in the Annual Report of each MCK Entity contains an explanation of any departure from Recommendations 3.1, 3.2 or 3.3.

A copy of the Code of Conduct is disclosed on the MacarthurCook website: www.macarthurcook.com.au.

A copy of the Share Trading Policy is disclosed on the MacarthurCook website: www.macarthurcook.com.au

Recommendation 4. Safeguard integrity in financial reporting

4.1 Audit committee

The board should establish an audit committee.

The Board has an Audit, Risk and Compliance Committee. The role and responsibilities, composition, structure, membership requirements and procedures for the Audit, Risk and Compliance Committee are set out in the Audit, Risk and Compliance Committee Charter.

The key responsibility of the Audit, Risk and Compliance Committee is to review the integrity of each MCK Entity's financial reporting. This includes reviewing and advising the Board in relation to financial reports and having responsibility for assessing and advising the Board in relation to the independence and competence of the external auditor.

Day to day responsibility for the integrity of an MCK Entity's financial reporting rests with the Chief Financial Officer and Managing Director (Chief Executive Officer).

4.2 Structure of the audit committee

The audit committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent chair who is not chair of the board
- has at least 3 members.

The Audit, Risk and Compliance Committee consists of three independent, non-executive directors. At least one member of the Committee must have accounting or related financial management expertise.

4.3 Audit committee charter

The audit committee should have a formal charter.

The role and responsibilities, composition, structure, membership requirements and procedures for the Audit, Risk and Compliance Committee are set out in the Audit, Risk and Compliance Committee Charter.

4.4 Reporting on Recommendation 4

Companies should report on compliance with Recommendation 4.

The Corporate Governance Statement in the Annual Report of each MCK Entity contains the following material:

- the names and qualifications of members of the Audit, Risk and Compliance Committee;
- the number of meetings of the Audit, Risk and Compliance Committee; and
- an explanation of any departures from the Governance Recommendations in Recommendation 4.

A copy of the Audit, Risk and Compliance Committee Charter is disclosed on the MacarthurCook website: www.macarthurcook.com.au.

Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners for the MCK Entities are disclosed on the MacarthurCook website: www.macarthurcook.com.au.

Recommendation 5. Make timely and balanced disclosure

5.1 Disclosure policies

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The MCK Group has a Continuous Disclosure Policy to ensure continuous disclosure and access to information for investors. All Directors and staff must adhere to that Continuous Disclosure Policy.

The general principle that underpins the Continuous Disclosure Policy is that once an MCK Entity becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities, it must immediately advise the ASX of that information.

5.2 Reporting on Recommendation 5

Companies should report on compliance with Recommendation 5

The Corporate Governance Statement in the Annual Report of each MCK Entity contains an explanation of any departures from the Governance Recommendations in Recommendation 5.

A copy of the Continuous Disclosure Policy is disclosed on the MacarthurCook website: www.macarthurcook.com.au.

Recommendation 6. Respect the rights of shareholders

6.1 Communications policy

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.

The MCK Group policies for communication with shareholders are set out in its Communications Policy. The aim of the Board is to ensure that investors are informed of all major developments affecting an MCK Entity through:

- the annual report;
- disclosures made to the ASX and Singapore Stock Exchange in the form of market announcements and investor updates;
- notices and explanatory memoranda of AGMs and other shareholder meetings;
- shareholder and unitholder meetings;
- responses to enquiries from shareholders and unitholders; and
- occasional letters from the Chairman or the Managing Director to specifically inform shareholders or unitholders of key matters of interest.

6.2 Reporting on Recommendation 6

Companies should report on compliance with Recommendation 6

The Corporate Governance Statement in the Annual Report of each MCK Entity contains an explanation of any departures from the Governance Recommendations in Recommendation 6.

The MCK Group communicates with shareholders and unitholders through releases on the Australian Securities Exchange and on the MacarthurCook website: www.macarthurcook.com.au.

Recommendation 7. Recognise and manage risk

7.1 Risk management policies

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

MacarthurCook has established procedures for:

- the oversight of risk management activities through the roles of the Board and the Audit, Risk and Compliance Committee; and
- a risk management framework and policy for the identification, management and monitoring of material business risks.

The Risk Management Framework and Policy forms a part of the Company's Policy Manual.

7.2 Risk management systems

The board should required management to design and implement the risk management and internal control system and disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Board has primary oversight of risk management policies and practices and has adopted an appropriate risk management framework and policy.

In accordance with its Charter, the Audit, Risk and Compliance Committee has more direct responsibility for overseeing the risk management framework and risk management practice.

The Board reviews the effectiveness of the risk management and internal control systems on an ongoing basis through regular certifications and review undertaken by the finance and compliance functions together with a formal annual review.

The MCK Group has achieved accreditation to the ISO 9001 international standard. The quality system and accreditation assists with the efficient and effective functioning of the business and the communication of it to existing and potential investors. In accordance with this accreditation, the MCK Group has documented procedures on how our core processes are carried out, which assist in the efficient and effective operation of the business and ensure compliance with its objectives.

7.3 Executive risk management declaration

The board should disclose whether it has received assurance from the chief executive officer and the chief financial officer that the section 295A Corporations Act declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Chief Executive Officer and Chief Financial Officer provide declarations under section 295A of the Corporations Act as part of the approval process for the half yearly and annual financial statements for each MCK Entity.

7.4 Reporting on Recommendation 7

Companies should report on compliance with Recommendation 7

The Corporate Governance Statement in the Annual Report of each MCK Entity contains:

- an explanation of any departures from the Governance Recommendations in Recommendation 7;
- a statement whether the Board has received the report from management under Recommendation 7.2; and
- a statement whether the Board has received the assurance from the Chief Executive Officer and the Chief Financial Officer under Recommendation 7.3.

A copy of the MCK Group's Risk Management Manual is disclosed on the MacarthurCook website: www.macarthurcook.com.au.

Recommendation 8. Remunerate fairly and responsibly

8.1 Remuneration committee

The board should establish a remuneration committee.

The Board has a Remuneration Committee. The role and responsibilities, composition, structure, membership requirements and procedures for the Remuneration Committee are set out in the Remuneration Committee Charter.

The primary role of the Remuneration Committee is to assist the Board in establishing a clear relationship between performance and remuneration including:

- determining key performance indicators and remuneration for executives;
- reviewing executive remuneration packages annually; and
- ensuring remuneration packages are set at levels that attract and retain executives.

8.2 Remuneration structure

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Executive remuneration comprises a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the circumstances and goals of the relevant MCK Entity. Incentive pay includes equity based remuneration which is linked to performance objectives. The equity based remuneration comprises shares and/or options in MacarthurCook Limited issued pursuant to established Share and Option Plans.

Non-executive Directors' remuneration comprises fees in the form of cash and non-cash benefits. Non-executive Directors do not participate in schemes designed for remuneration of executives. No incentive payments or termination benefits (other than superannuation) are made to non-executive Directors.

8.3 Reporting on Recommendation 8

Companies should report on compliance with Recommendation 8

The Corporate Governance Statement in the Annual Report of each MCK Entity contains:

- the names of the members of the Remuneration Committee and their attendance at meetings of the Committee;
- the existence and terms of any schemes for retirement benefits, other than superannuation;
- an explanation of any departures from Recommendations 8.1, 8.2 or 8.3.

A copy of the Remuneration Committee Charter is disclosed on the MacarthurCook website: www.macarthurcook.com.au.

The MCK Group's policy on investments in MCK Entities is set out in the Share Trading Policy, which is disclosed on the MacarthurCook website: www.macarthurcook.com.au.
